SAVING LIVES
CHANGING LIVES

Regional Market Analysis

Economic Trends across RBC Region
End 2020 Update

WFP
World Food Programme

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Regional Market Analysis

Introduction

The aim of the report is to give a general overview about the market situation of 13 countries in the region in the simplest way possible. The Market Status indicator shows the overall level of market challenges in the country, which is classified based on annual consumer inflation or food inflation rates as follows:

To better understand the market situation and the possible reasons for price trend developments, this report is complemented by a description of a different range of economic indicators.

Regional Overview as of December 2020

Existing and long-lasting crises proved to have a more powerful role in suffocating economies, than the pandemic itself. Indeed, countries facing existing and ongoing crises were most affected by the pandemic as already weak economic conditions were further exacerbated.

Countries affected by protracted conflict, financial crisis, social unrest or imposed sanctions (e.g. **Iran**, **Lebanon**, **Libya**, **Syria**, **Yemen**) were among the most severely affected by the fallouts of COVID-19. In addition, economies of the region highly dependent on oil (e.g. **Algeria**, **Libya**, **Iran**, **Iraq**) or on tourism (e.g. **Egypt**, **Jordan**, **Lebanon**, **Tunisia**) were particularly affected by the impact that the pandemic had on global demand and supply of natural resources and the consequences of policies implemented to curb the contagion.

The pandemic worsened the oil crisis looming at the end of 2019, which resulted into a decline in global oil demand and significant fall in oil prices throughout 2020. This translated into an average 48 drop in oil revenues at the regional level. With respect to tourism, closure of borders and travel restrictions significantly reduced receipts from this sector (on average down 57 percent at the regional level). At the policy level, containment measures to curb the contagion, affected the retail sector, contributing to a contraction of most economies of the region in 2020. The global slowdown in the retail sector also affected the inflow of remittances (on average down 20 percent at the regional level), which accounts for the main source of capital inflows for many countries of the region while serving as a social safety net as they compensate for the lack of essential public goods.

Due to the above-mentioned reasons, **Lebanon** recorded one the most severe contraction in economic growth (down 25 percent). Intensified conflict in **Libya** compound with a sharp decline in oil revenues (the main source of government revenues), resulted into an economic downturn of 41 percent in 2020.

The compound effect of COVID-19 and pre-existing long-lasting crises was also reflected in general price level, with annual fluctuations varying across the countries of the region. Countries facing challenges other than the pandemic saw the most alarming and highest spikes. **Syria** and **Lebanon** recorded an annual increase in the cost of the food basket at 236 and 130 percent, respectively; prices in **Iran** were as high as 28 percent. In **Yemen**, ongoing conflict and depletion of foreign reserves were reflected in a continuous depreciation in the local currency and considerable annual increase in the value of the food basket (up more than 28 percent in December 2020).

List of Abbreviations

m-o-m	Month over month
OPEC	Organization of the Petroleum Exporting Countries
Q1	First quarter
Q2	Second quarter
Q3	Third quarter
Q4	Fourth quarter
H1	First half
H2	Second half
SNAP	Safety Nets Alert Platform
tb/d	Thousand barrels per day
ToT	Terms of trade
WFP	World Food Programme
y-o-y	Year over year

Overview about the covered indicators

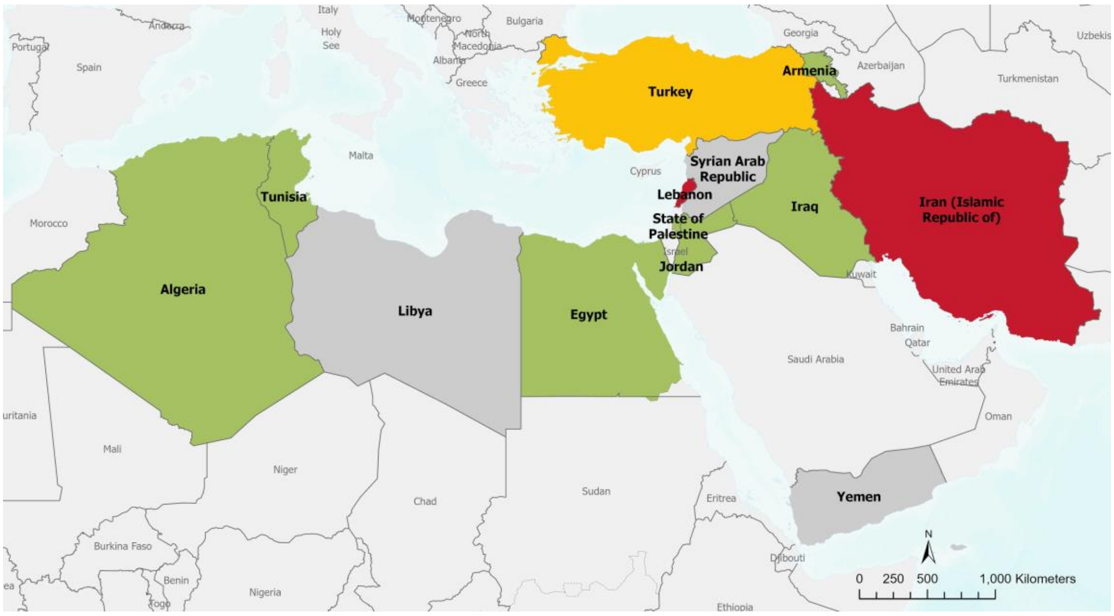
Economic indicators:
- Current account
- Fiscal balance
- Gross Domestic Product (GDP) growth rates
- Government budget
- Government debt
- Industrial and agricultural production indices
- Trade balance.

Socio-economic indicators:
- Unemployment rates, which considers labour force between the age of 15 and 64 years old
- Youth unemployment rates, which covers labour force between 15-24 years old.

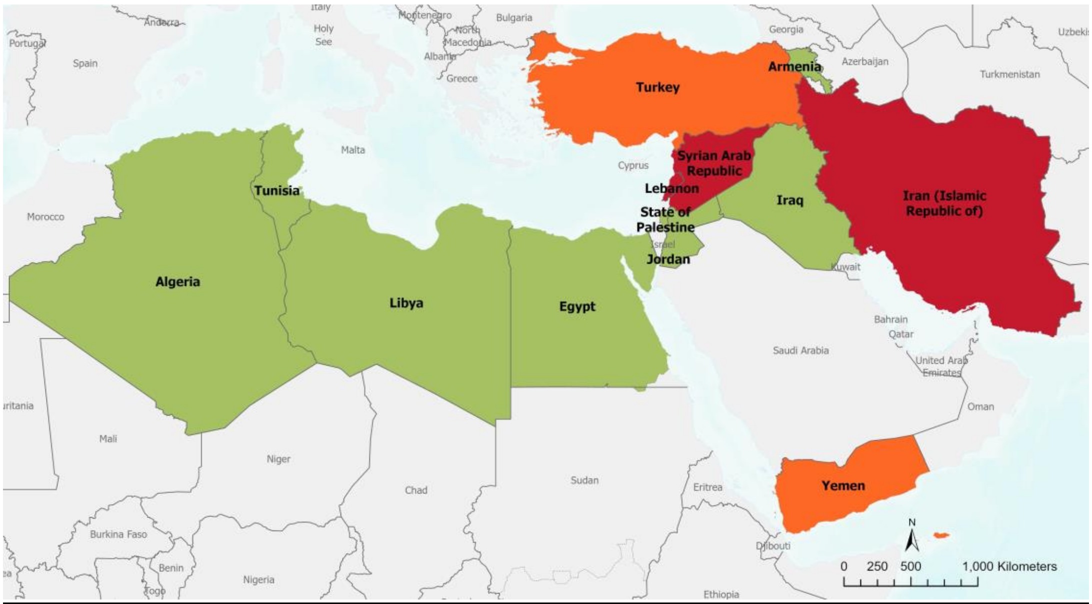
Market indicators:
- Inflation rates, which represent percentage change in Consumer Price Index (CPI). This report covers both total and food inflation rates; changes in prices of different food commodities are calculated through WFP SNAP platform
- Exchange rates, which affect inflation rates and purchasing power of households. A depreciation in the currency leads to higher import costs translated into higher inflation rates affecting mainly net importing countries.

The economic indicators described in this report provide a snapshot of the economy of a country and, eventually, of the wellbeing of its population. When the GDP growth rates decreases, unemployment rates, budget deficit, government debt and inflation rates increase while trade deficit widens. All this affects the wellbeing of the society, mainly the most vulnerable segments of the population.

Annual inflation rates, December 2020



Annual food inflation rates, December 2020



Normal (< 10%) Stress (10% - 20%) Alert (20% - 30%) Crisis (> 30%)

Data sources: WFP, UNGIWG, GeoNames, GAUL, and OCHA.
The designations employed and the presentation of material in the map(s) do not imply the expression of any opinion on the part of WFP concerning the legal or constitutional status of any country, territory, city or sea, or concerning the delimitation of its frontiers or boundaries.

Notes on the data:

* All figures represent annual rates in December 2020 except for the following:

- Total and food inflation → Iraq (October 2020, latest available), Lebanon (November 2020, latest available).

**Libya, Syria and Yemen food inflation represent WFP monitored food basket.
***No (recent) data available on annual inflation rates for Libya, Syria and Yemen (grey shaded areas).

IRAN

KEY FIGURES AND TRENDS

- Having oil revenues among the main components of government revenues, the sharp decline in global oil prices coupled with existing sanctions are expected to further contract the economy and widen budget deficits.
- GDP is forecasted to slow by 7.3 percent and government budget gap is to widen to -8.1 percent of GDP in 2020. Current account deficit is to hit -2.3 percent of GDP in 2020 against -0.1 percent in 2019.

CURRENT STATUS

MARKET INDICATORS

- **+ 44.8%** in December 2020 — Annual inflation rate
- **+ 58%** in December 2020 — Annual food inflation rate
- **185,000 USD/IRR** — Informal exchange rate

ECONOMIC INDICATORS

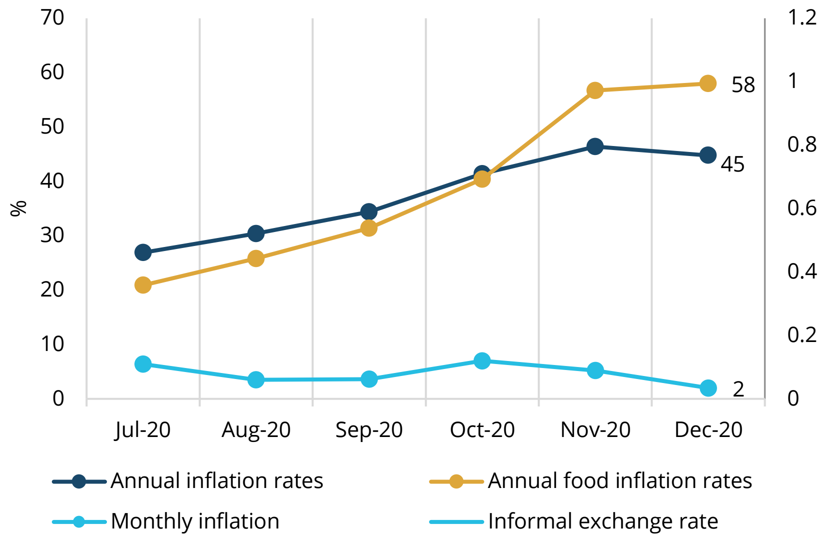
- **- 7%** in 2019/2020 — GDP annual growth rate
- **2002** BBL/D/1k in December 2020 — Crude oil production
- **+ 9.8%** in Q2 2020 — Unemployment rate

ECONOMIC IMBALANCES

- **-0.6%** of GDP, estimate for 2019/2020 — Current account
- **212** USD million in Q2 2020 — Balance of trade
- **42.9%** of GDP estimate for 2019/2020 — Gross Public Debt

Due to U.S. sanctions and fallouts of COVID-19 pandemic, Iran's economy is undergoing a third consecutive year of recession, with growth estimated to contract by 8.1 percent in 2020[1]. Reduced expenditure is expected to affect the non-oil private sector, while weaker foreign demand will further weigh on the oil industry. Indeed, oil output remained a record low in November for the fifth month, while non-oil foreign trade has contracted sharply since the outset of the pandemic.

Figure 1: Inflation and exchange rate, Jan-Jun 2020



Source: Statistical Center of Iran

Headline inflation slightly dropped in December 2020 (from 46.4 percent in November to 44.8 percent); however, it remained elevated due to ongoing supply chain disruptions and the heavy depreciation of the rial. The decline observed is due slight decrease in price of transport (65.2 vs. 96.5 percent in November) and communication (24.5 vs. 25.4 percent). Yet, inflation accelerated for other goods and services such as food and non-alcoholic beverages (58.0 vs. 56.7 percent); housing and utilities (26.1 vs. 26.0 percent) and health and medical services (34.5 vs. 33.9 percent). On a monthly basis, consumer prices were up 2 percent in December, after a 5.2 percent growth in November.

According to FocusEconomics' forecasts, inflation in 2020 is projected to remain elevated; however, lower than 2019 (27.6 percent vs. 36.2 percent)[2] due to a high base effect and subdued economic activity. Headline inflation for 2021[3] is estimated to fall at an average of 22.2 percent.

The decline in net exports observed in 2019/2020 (down 26.9) led to a deterioration of external balances, with current account surplus representing 0.9 percent of GDP. In addition, imports also contracted following rationing of foreign exchange reserves and U.S. sanctions. Due to COVID-19 and the authorities' widening the import ban list, non-oil trade contracted by 31 percent (y-o-y, nominal) between April and August.

Following the fall in oil revenue, fiscal deficit to GDP ratio deteriorated (from -1.6 in 2019 to -3.7 percent in 2020)[4].

The worsening economic situation deteriorated participation and employment rates, with the number of employed people falling from 24.3 million in 2019/2020 to 1.5 million in Q1 2020/2021. The unemployment rate in 2019/20 and Q1 2020/21 fell to 10.7 percent and 9.8 percent, respectively[5].

[1] FocusEconomics' forecasts
[2] Solar Hijri calendar
[3] Solar Hijri calendar
[4] World Bank: Iran's Economic Update, October 2020
[5] World Bank: Iran's Economic Update, October 2020

LEBANON

KEY FIGURES AND TRENDS

- Economic conditions remain bleak due to the compound effect of the currency crisis, COVID-19, socio-political instability and the aftereffects of the Beirut port explosion in August.
- Once the minimum reserve requirements threshold is reached, the current subsidy mechanism is not likely to be kept in place.

CURRENT STATUS

MARKET INDICATORS

+ 145.8% in December 2020
Annual inflation rate

+ 402.3% in December 2020
Annual food inflation rate

8,286 USD/LBP
Informal exchange rate

ECONOMIC INDICATORS

817.3 USD million in Q2 2020
Remittances

+ 6.3% 2020 estimate
Unemployment rate

350.7 USD million in October 2020
Exports

1,193.1 USD million in October 2020
Imports

ECONOMIC IMBALANCES

- 14.5% of GDP, festimate for 2020
Fiscal balance

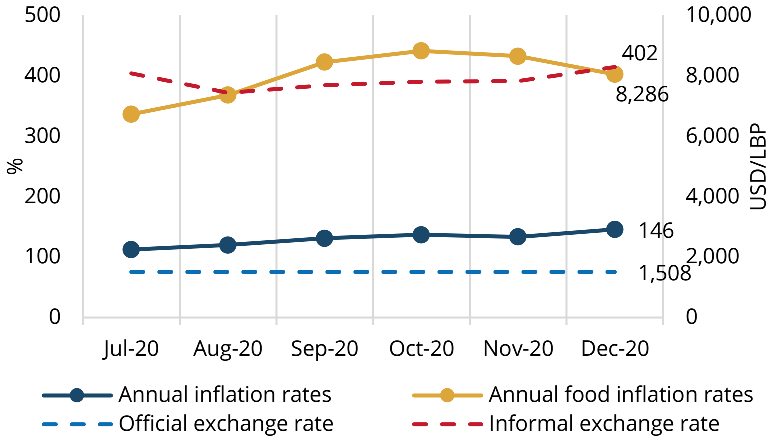
- 2 USD billion in Q1 2020
Balance of trade

170% of GDP, forecast for 2020
Public debt

Economic conditions remain bleak due to the compound effect of the currency crisis, COVID-19, socio-political instability and the aftereffects of the Beirut port explosion in August. According to FocusEconomics' estimates, GDP is seen to contract further in 2020 (down 25 percent) to then rebound in 2021 but still with negative sign at -2.5 percent. Fiscal deficit and public debt are seen staying extremely elevated (-9.3 and 170.4 percent of GDP in 2020, respectively)[6].

Throughout the second half of 2020, the average informal exchange rate remained stable at around USD/LBP 8,000 – accounting for double the rate applied by banks for withdrawals in LBP from dollar denominated accounts (LBP3,900/USD). Nevertheless, the exchange rate plummeted due political developments. For instance, at the end of September the rate nearly reached USD/LBP 9,000, following the resignation of the designated Prime Minister; in mid-October, it dropped to USD/LBP 6,500 in the aftermath of the nomination of a new Prime Minister and the introduction of limits on LBP cash withdrawals.

Figure 2: Inflation and exchange rates, Jul-Dec 2020



Sources: CAS, Lirarate.com and FXtop

Similar to the trends observed in the informal exchange rate, the price of the basic food basket[7] was stable between July and December; however more than double expensive compared to the same period last year. By the same token, inflation rates remained excruciatingly high; with annual inflation peaking 145.8 percent in December, from 133.4 percent in November. Food and non-food prices are extremely high as a result of the sharp depreciation of the Lebanese pound amid a deep political, economic and financial crisis affecting the country since late 2019. Annual food inflation jumped 402.3 percent and additional upward pressure came, among others, from restaurants and hotels (609 percent y-o-y); furnishings, household equipment and routine maintenance (655.1 percent), clothing and footwear (559.8 percent). Considering the full year 2020, the inflation rate averaged 84.9 percent – that is the highest rate recorded since 2013[8]. Inflation is seen to remain extremely elevated in 2021 (at an average of 49.9 percent) as the volatile parallel market exchange rate and the possible removal of subsidies on basic items and posing an upside risk[9].

The Central Bank announced in late 2020 that it could not keep the current subsidy mechanism and that it will be halted once the minimum reserve requirements threshold is reached. As official foreign reserves were estimated to stand at nearly USD 17.9 billion at the end of November 2020 – implying only USD 800 million available for the subsidization of wheat, fuel and pharmaceutical products at the official rate and subsidisation of the basket of food items at the banks' exchange rate (USD/LBP 3,900) – discussions about possible modifications to the subsidies system are ongoing and are expected to be implemented at the beginning of 2021[10].

[6] FocusEconomics' forecasts
[7] The SMEB food basket is based on a monthly ration per person of 6 kg of rice, 3.9 kg of bulgur, 1.5 kg of pasta, 1.5 kg of white beans, 1.5 kg of sugar, 0.9 litres of sunflower oil, 0.3 kg of salt and 1.2 kg of canned meat
[8] Central Administration of Statistics
[9] FocusEconomics' forecasts
[10] WFP Lebanon: VAM Update on Food Price and Market Trends, December 2020

SYRIA

KEY FIGURES AND TRENDS

- The national average price of a standard reference food basket increased by 236 percent between 2020/2019.
- Syria's Central Bureau of Statistics reported an average inflation rate between 180-200 percent in 2020 compared to 2019, with goods inflation reaching 300 percent.

CURRENT STATUS

MARKET INDICATORS

+ 483% than formal fuel in Dec 2020
Informal fuel (diesel)

+ 236% in Dec 2020 (Y-o-Y)
WFP food basket

2,795 USD/SYP
Informal exchange rate

ECONOMIC INDICATORS

5,134 SYP/day in Dec 2020
Wage (non-skilled worker)

+ 98% in Dec 2020 (Y-o-Y)
Wage dynamics

24 BBL/D/1k in Sep 2020
Crude oil production

25.8 tonnes in Q3 2020
Gold reserves

TERMS OF TRADE

Daily wage can buy **4.1 Kg** (Dec 2020)
Wage and wheat flour

Daily wage can buy **2.9 Kg** (Dec 2020)
Wage and rice

Kg/sheep **297** (Dec 2020)
Sheep and wheat flour

In H2 2020, the price of WFP's national reference food basket[11] averaged SYP 92,214. Despite the high cost, the price of the food basket remained stable between July and October 2020, but then increased towards the end of the year. At the governorate level, Aleppo recorded the highest 6-month increase (up 56 percent), followed by Tartous (up 38 percent) and Homs (up 37 percent). In terms of actual costs, Idleb recorded the most expensive food basket throughout H2 2020 (32 percent higher than the national average); while Deir-ez-Zor recorded the least expensive food basket (12 percent lower than the national average).

After having stabilized between July and October, prices of all components of the food basket recorded an increase towards the end of the year, which can be attributed to the lack of fuel and worsening of the informal exchange rate.

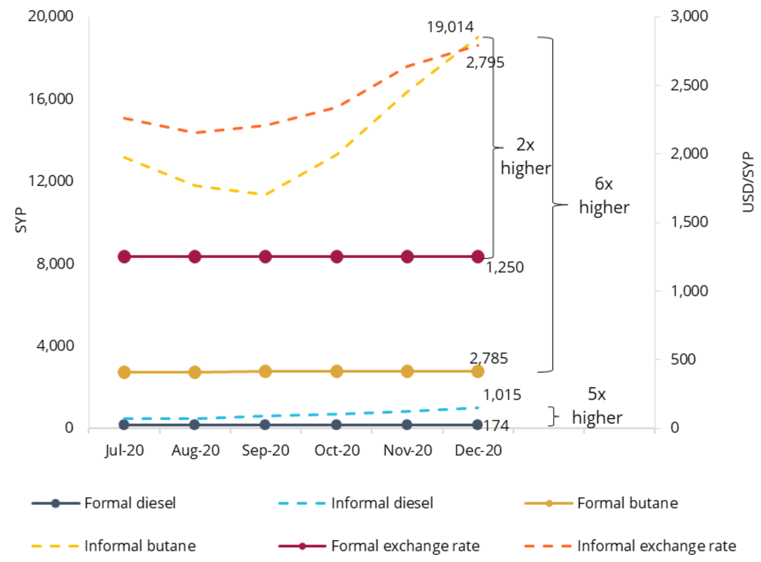
Table 1: Average and variation cost of the food basket, Jul-Dec 2020

Governorate	Jul-Dec average	Jul-Dec variation
Aleppo	90,459	56%
Damascus	87,835	28%
Dar'a	91,076	26%
Deir-ez-Zor	81,409	32%
Hama	88,755	36%
Al-Hasakeh	86,921	23%
Homs	88,825	37%
Idleb	121,805	13%
Lattakia	97,072	29%
Ar-Raqqa	88,184	29%
Rural Damascus	90,872	18%
As-Sweida	90,094	27%
Tartous	96,392	38%
Quneitra	91,289	25%
National average	**92,214**	**29%**

Source: WFP field monitoring

Throughout H2 2020, the Syrian pound depreciated in the informal exchange rate market from SYP 2,262/USD in July to SYP 2,795/USD in December, while the official exchange rate remained stable throughout the year at SYP 1,250/USD. The gap between the official and the informal exchange rates has more than doubled towards the end of the year.

Figure 3: Price of fuel and exchange rate, Jul-Dec 2020



Source: WFP field monitoring

Similarly, the price of fuel in the informal market has recorded a significant increase during the second half of 2020, especially after October. The informal national average price of transport diesel reached SYP 1,015/litre in December 2020– that is almost more than five times higher than the formal price of diesel (SYP 174/litre). Following the decrease of subsidized heating diesel allocation and the increase in demand during the winter season, the informal national average price of heating diesel has also increased (up 20 percent between November and December 2020, reaching SYP 1,050/litre). The increased demand for heating during winter combined with the continued lack of availability of formal butane cylinders resulted in a sharp increase in the price of butane gas cylinders, reaching SYP 19,014/refill in December – that is almost 6 times higher than the formal butane price (SYP 2,785/refill).

[11] WFP's national average reference food basket, a group of basic dry goods providing 2,060 kcal a day for a family of five during a month. The basket includes 37 kg of bread, 19 kg of rice, 19 kg of lentils, 5 kg of sugar, and 7 litres of vegetable oil.

YEMEN

KEY FIGURES AND TRENDS

The economy was foreseen to contract by 6.5 percent in 2020, as the three main income sources for the country; oil exports, remittances flow, and foreign aid were hit hard following the pandemic.

CURRENT STATUS

MARKET INDICATORS

WFP food basket
+ 30.4% in December 2020 (Y-o-Y)
0 % in December 2020 (m-o-m)

Fuel (diesel) price
- 0.7% in December 2020 (Y-o-Y)

Informal exchange rate
704 USD/YER

ECONOMIC INDICATORS

GDP annual growth rate
-6.5% 2020 estimates

Unemployment rate
12.8% 2020 estimate

Crude oil production
61 BBL/D/1k in March 2020

Poverty rate (World Bank)
+ 75% in Q4 2019

ECONOMIC IMBALANCES

Government budget deficit
10.7% of GDP 2020 estimate

Public Debt
72% of GDP 2020 estimate

Current account
-5.6% of GDP, 2020 estimate

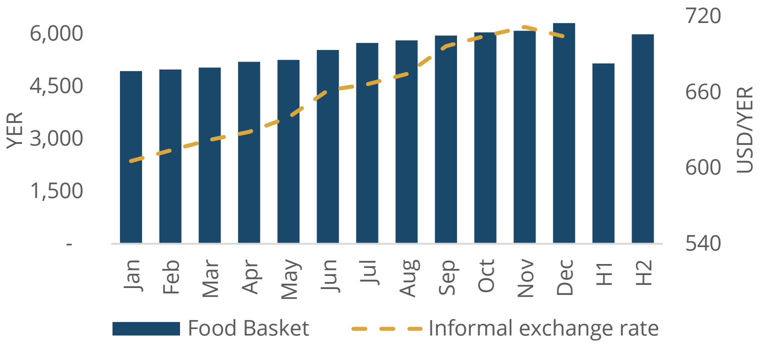
The year of 2020 was particularly though for Yemen as the country went through a series of compounding crises, namely the ongoing protracted conflict, global drop in oil prices, the pandemic and associated containment measures, and the downsize in humanitarian assistance.

At the macrolevel, the economy was estimated to contract by 6.5 percent in 2020. Government imbalances persisted as budget deficit widened (accounting for 10.7 percent of GDP), cumulative government debt reached 72.3 percent of GDP and current account recorded a deficit (representing 5.6 percent of GDP)[12].

The economy relies on three main income sources: oil exports, remittances and foreign aid. Oil revenues dropped, following the global decline in demand and prices throughout 2020.
In terms of remittances (accounting for 13 percent of GDP in 2019, that is USD 3.8 billion), one in ten Yemenis heavily relies on inflows that are mainly sourced from GCC countries, which have also been affected by the sharp decline in oil prices, production cuts and stringent measures to contain COVID-19[13]. Data collected by the Cash Consortium of Yemen (CCY) in November 2020 indicates that the inflow to Yemen has significantly dropped as 65 percent of surveyed exchange shops reported remittances did not return to pre-COVID level[14].

Foreign aid witnessed a huge drop (from USD 4.1 billion in 2019 down to USD 1.9 billion in 2020). Furthermore, the USD 2.2. billion Saudi cash deposit – which helps importers to buy staple commodities at subsidized exchange rates, has almost exhausted. A new cash deposit for foreign aid is crucial for the central bank to secure funds for imports of basic food commodities[15].

Figure 4: Cost of the food basket and informal exchange rate, 2020



Source: WFP field monitoring

Currency volatility added further strains to the fragile economy: the parallel exchange rate passed from USD/YER 606 in January to USD/YER 704 in December 2020 (14 percent devaluation in Yemeni Rial). The depreciation was reflected in food prices as the cost of food basket recorded a 28 percent increase from January to December 2020. The upward trend is mainly driven by the relatively higher cost of food basket commodities in areas under the control of Internationally Recognized Government (IRG) – up 48 percent in December compared to January, against a 10 percent average in areas under Sanaa' based authorities.
Fuel shortages – and the related price increase – also affected the country, especially the second half of the year. Diesel and petrol gasoline prices were 20 and 28 percent higher in H2 2020 against H1 2020 due to the decrease in foreign exchange reserves, which, in turn, affected the IRG's ability to pay international energy suppliers.
The novel outbreak along with the above-mentioned economic pressures were translated into nearly one third of surveyed households reporting challenges to accessing the market. Lack of money followed by the disease outbreak were the top two reasons behind lack of market accessibility[16].

[12] Forecasts are based on RBC VAM in collaboration with Focus Economics
[13] Oxfam: Remittances to Yemen plummet as needs surge amid war and coronavirus, June 2020
[14] OCHA Yemen: Rial reaches all-time low in southern governorates, compounding threats to food security, before rallying by the year-end, 13th January 2021
[15] OCHA Yemen: Rial reaches all-time low in southern governorates, compounding threats to food security, before rallying by the year-end, 13th January 2021
[16] mVAM data collected by WFP.

TURKEY

KEY FIGURES AND TRENDS

- Imposed containment measures worldwide dragged down tourism revenues in Turkey by 44 percent in the first 9 months of 2020.
- Inflationary pressures and currency devaluation were the additional strains.

CURRENT STATUS

MARKET INDICATORS

+ 14.6% in December 2020
Annual inflation rate

+ 20.6% in December 2020
Annual food inflation rate

7.7 USD/TRY
Exchange rate

ECONOMIC INDICATORS

+ 6.7% in Q3 2020
GDP annual growth rate

+ 11% in Jan-Dec 2020
Industrial production

+ 12.9% 2020 estimate
Unemployment rate

ECONOMIC IMBALANCES

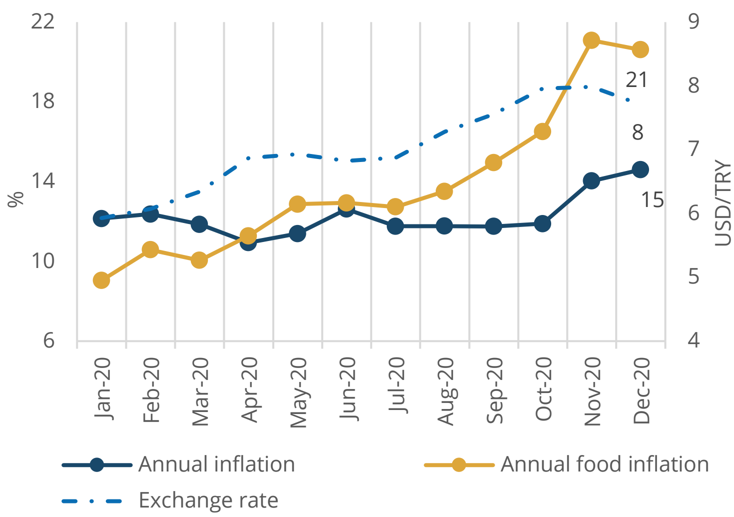
- 2.9% of GDP in 2019
Government budget deficit

- 49.9 USD billion in December 2020
Balance of trade

+ 33% of GDP in 2019
Government debt to GDP

In 2020, cumulative COVID-19 cases in Turkey reached 2.2 million – that is the highest number in the region (43 percent of total cases). Containment measures imposed worldwide dragged down tourism revenues in the first 9 months of 2020 to USD 4.1 billion, which accounts for a 44 percent drop against the corresponding period of 2019[17]. Despite this, tourism revenues in Q3 (that is the period in which most tourism revenues are captured) accounted for 71 percent of total tourism revenues, implying that the sector has played a key role in 2020. Nevertheless, revenues in Q3 2020 were lower than Q3 2019 by 19.2 percent.

Figure 5: Inflation and exchange rate, 2020



Source: Turkish Statistical Institute and FXtop

Expansionary policies to stimulate economic growth through policy rate cuts; administrative and regulatory measures to boost credit coupled with cheap and rapid lending growth by state-owned banks resulted into inflationary pressures and currency devaluation, which, in turn, put additional strain on the economy. [18]

As of December 2020, annual inflation rate recorded 14.6 percent, the highest rate since August 2019, whilst the Turkish Lira depreciated to 7.7 USD/TRY against 5.9 in January 2020. Facing the depreciation, the Turkish government decided to increase lending rates to 18.5 percent in December 2020 (5.75 percentage points up compared to January 2020). Food prices were more severely affected as annual food inflation soared to 20.6 percent in December 2020. The cost of food basket saw similar fluctuations with an annual increase of 23 percent.

Unemployment rate reached 12.7 percent in October 2020[19]; the situation was even more alarming for the young generations as youth unemployment rate reached 24.9 in the same reference period. In addition, the rate of unregistered employment was as high as 19.9 percent[20], whilst 31 percent of those who are employed is not covered by any social security schema, posing concerns about vulnerable segments of the population who are employed in the informal economy and often have no access social safety nets.
According to IMF forecasts, the economy is foreseen to grow by 5 percent in 2021, which could eventually translate into more job opportunities and lower unemployment rates.

The socio-economic situation and the fallout of COVID-19 also affected Syrian refuges hosted in Turkey. Suspension of face-to-face classes and the need to adjust to distance learning solutions forced Syrian refugees to invest more on remote education related costs such as internet. According to the latest In-Camp Post-Distribution Monitoring Report by WFP, the share of expenditure on food on total expenditure went down from 75 percent in Q1 2020 to 68 percent in Q3 2020, with a shift of expenditure towards education – possibly due to additional cost required for remote education (such as internet costs) – and savings – probably due to the uncertainty of pandemic and macro-economic conditions.

[17] Turkish Statistical Institute
[18] IMF: Turkey: Staff Concluding Statement of the 2021 Article IV Mission, 25th January 2021
[19] Turkish Statistical Insitute: Labour Force Statistics, October 2020, latest available
[20] 19.9 percent covers those who are in the non-agricultural sector

ALGERIA

KEY FIGURES AND TRENDS

- A significant contraction in growth is estimated following COVID-19 fallouts and uncertainties related to the duration of the sanitary and economic crises.
- Revenues from Sahara Blend declined (down by 42 percent in H2 2020 vs. H2 2019), while public spending to mitigate the health and economic impact of COVID-19 increase, widening fiscal deficit.

CURRENT STATUS

MARKET INDICATORS

+ 2.8% in December 2020
Annual inflation rate

+ 1.5% in December 2020
Annual food inflation rate

+ 0.7% in December 2020
Monthly inflation rate

119 USD/DZD
Exchange rate

ECONOMIC INDICATORS

- 6.5% forecast for 2020
GDP annual growth rate

863 BBL/d/1K in Dec 2020
Crude oil production

- 14.1% in Q2 2020
Industrial production

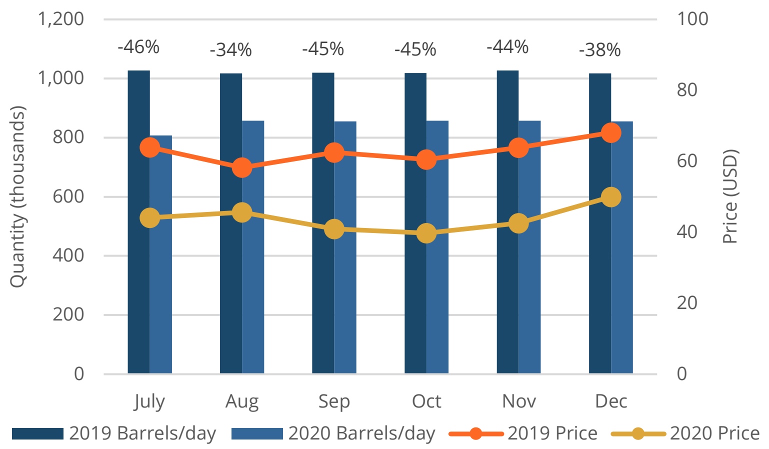
ECONOMIC IMBALANCES

- 15.8% of GDP, forecast for 2020
Fiscal balance

- 13.4% of GDP forecast for 2020
Current account

68.2% forecast for 2020
Government debt to GDP

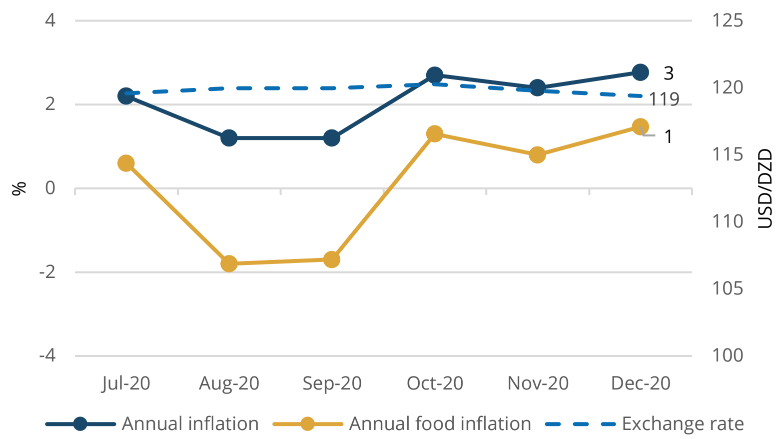
Figure 6: Yearly variation in production and price of Sahara Blend, 2019-2020



Source: OPEC

Industrial production kept on falling during Q2 2020 (down 14.1 percent compared to Q2 2019 and down 10.4 percent compared to Q1 2020). The decline has significantly affected the energy sector (down 6.8 percent y-o-y), mainly hydrocarbons (down 8.5 percent) and mining industry (down 3.6 percent). The decline observed was mainly caused by the implementation of measures to contain the contagion across the world, which reduced global demand for oil and hydrocarbons, affecting revenues of economies that are heavily dependent on the energy sector. Algeria recorded a significant decline in revenues from Sahara Blend (on average down by 42 percent in H2 2020 compared to H2 2019). All this, coupled with increased public expenditure for the implementation of policies to mitigate the health and economic impact of COVID-19 on households[21] has widened fiscal deficit (from 9.6 percent of GDP in 2019 to 15.8 percent in 2020) and public debt (from 47 percent of GDP in 2019 to 68.2 percent of GDP in 2020).

Figure 7: Inflation and exchange rate, Jul-Dec 2020



Source: Office National des Statistiques (ONS) and FXtop

Due to the above-mentioned reasons, prospects on growth remain uncertain; however, the latest estimates from World Bank suggest a significant contraction in growth as a result of COVID-19 and uncertainties related to the duration of the sanitary and economic crises. GDP is seen to contract by 6.5 percent to then rebound to 3.8 percent in 2021[22].

After having strengthened against the USD, the Algerian Dinar (DZA) has stabilized since April 2020, which is reflected in inflation rates. In December 2020, headline inflation reached 2.8 percent (up from 2.4 percent in November 2020). Annual food inflation was negative between August and September, then increased to 1.5 percent in December, mainly led by the increase of prices of fresh fish (up 24.4 percent compared to 2019), fruit (up 9.2 percent) and oil and other fats (up 8.2 percent). Despite low inflation and stable but high unemployment rates (11.4 percent in 2019 with higher rates for women at 20.4 percent[23]), slowing growth is limiting the potential for job creation and poverty alleviation.

[21] IMF – Policy Responses to COVID-19
[22] World Bank: Macro Poverty Outlook - MENA, October 2020
[23] ILO estimates

ARMENIA

KEY FIGURES AND TRENDS

- In Q3 2020, the economy contracted by 9.1 percent due to the compound effect of the fallout from COVID-19 and the conflict with Azerbaijan over Nagorno-Karabakh. Declines were seen in almost all sectors of the economy.
- The country recorded a trade deficit in November 2020 due to a fall in exports. Imports were stable through the second half of 2020.

CURRENT STATUS

MARKET INDICATORS

+ 3.7% in December 2020
Annual inflation rate

+ 4.9% in December 2020
Annual food inflation rate

+ 3.4% in December 2020
Monthly inflation rate

519.2 USD/AMD in December 2020
Exchange rate

ECONOMIC INDICATORS

- 9.1% in Q3 2020
GDP annual growth rate

- 6.1% in November 2020
Industrial production

16.6% 2020 estimate
Unemployment rate

406.7 USD million in Q3 2020
Remittances

ECONOMIC IMBALANCES

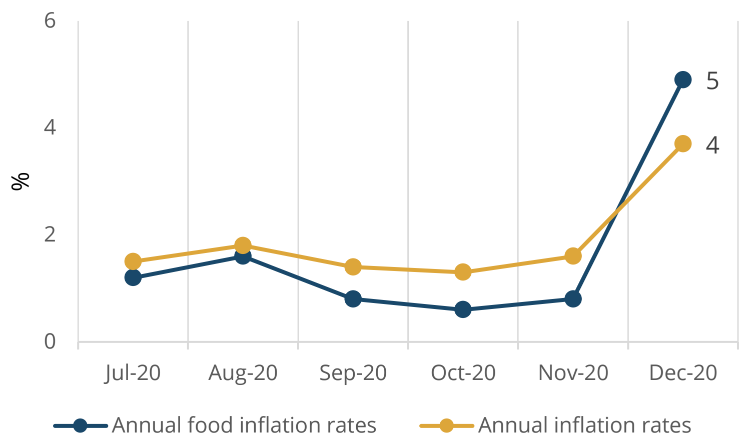
- 70 USD million in Q3 2020
Current account

- 197.4 USD million in November 2020
Balance of trade

3,826 AMD billion in Q3 2020
Government debt

Due to the fallout from COVID-19 and a six-week conflict between Azerbaijan and ethnic Armenian forces over the disputed enclave of Nagorno-Karabakh, the Armenian economy shrank 9.1 percent y-o-y in Q3 2020[24]. Almost all sectors of the economy recorded declines; however, the services sector was the most severely affected. The central bank has forecasted that the economy would contract 6.2 percent by the end of 2020 and get back to 4-5 percent growth in 2021 following a recovery of external demand, rebound of tourism industry and strengthened consumer and business confidence. Uncertainty over the path of the health crisis and hostilities between Armenia and Azerbaijan remains.

Figure 8: Inflation rates, Jul-Dec 2020



Source: National statistics office (Armstat)

The pandemic did not have a significant impact on general price level in Armenia between January and November 2020, reflecting deflation in food and world oil prices and lower aggregate demand. According to WFP's *Market Functionality and Supply Chain; Resilience of Supply Chains and Profitability of Production* survey, traders kept prices of essential commodities – such as staple food – low, allowing consumers – who witnessed a deterioration in their disposable income due to the fallout of COVID-19 – to pay in cash instead of buying on credit. In addition, Armenia's food market did not experience deficits in supply as traders prefer relying on smaller stocks and relating with many suppliers, which, in turn, allows them to quickly adjust to changes in consumer demand.
Yet, December annual and food inflation surged to 3.7 and 4.9 respectively. December rate was the highest annual rate recorded since March 2018, which has been mainly pushed up by prices of alcoholic beverages and tobacco (10.4 percent); food & non-alcoholic beverages (4.9 percent); transport (4.7 percent) and miscellaneous goods and services (5.5 percent). In terms of m-o-m variation, consumer prices in December increased 3.4 percent compared to 1.3 percent of the previous month; which accounts for the highest m-o-m rate observed since January of 2012.

In Q3 2020, Government Debt in Armenia reached an all-time high of 3,826 AMD billion, which was mainly driven by the implementation of measures to face the pandemic. Indeed, public spending in the first seven months of 2020 went up 19 percent y-o-y[25], corresponding to an estimated cost of around 2.3 percent of GDP. The observed increase in domestic and external borrowing widened the deficit, while pushing public debt to approximately 60 percent of GDP.

Despite it narrowed down, current account deficit is remained elevated, reaching USD 70 M in Q3 2020. In the same period, unemployment rate was as high as 18.1 percent; however, stable compared with 2019 rate (17.9 percent)[26].

[24] National statistics office (Armstat)
[25] World Bank: Macro-Poverty Outlook, October 2020
[26] National statistics office (Armstat)

EGYPT

KEY FIGURES AND TRENDS

- GDP contracted in Q2 2020 by 1.7 percent.
- Prices are relatively stable in Egypt at 5.4 percent.
- Poverty rates forecasts are alarming at 30.5 percent, on a USD 3.2 basis per headcount.

CURRENT STATUS

MARKET INDICATORS

+ 5.4% in December 2020
Annual inflation rate

+ 2.8% in December 2020
Annual food inflation rate

- 0.5% in December 2020
Monthly inflation rate

15.7 USD/EGP
Exchange rate

ECONOMIC INDICATORS

-1.7% in Q2 2020
GDP annual growth rate

572 BBL/D/1k in Sep 2020
Crude oil production

Imports: -13.8 USD million in Q2 2020
Exports: 5.4 USD million in April 2020

+ 10.1% in 2020
Unemployment rate

ECONOMIC IMBALANCES

5.5% of GDP in March 2020
Government budget deficit

- 8.4 USD million in Q2 2020
Balance of trade

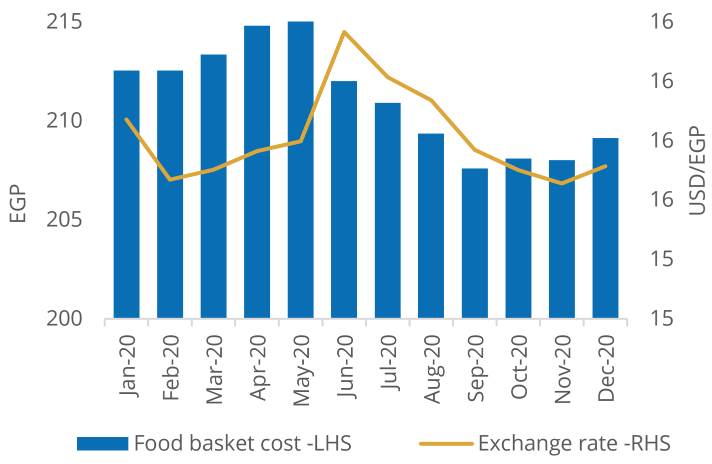
65.7% of GDP in Dec 2019
Government debt to GDP

As of the 31st of December 2020, the total number of COVID-19 cases in Egypt reached 138,062, ranking the country in the 63rd place in terms of global cumulative cases. The government of Egypt implemented some measures to contain the second wave of contagion; however, they were limited to the mandatory use of face masks in public spaces and the mandatory negative PCR test for passengers travelling to Egypt.

Following the pandemic, the overall economy slightly contracted by 1.7percent[27] [28] in Q2 2020[29]. Such deceleration was mainly linked to a significant drop in tourism revenues (84.1 percent), manufacturing industry (15.9 percent), and gas extractions (15.4 percent). Egypt is the fifth-largest recipient of remittances in the world, accounting for USD 26.8 billion in 2019 and nearly 10 percent of GDP[30]. Remittances flow fell by 21 percent in Q2 2020 compared to Q1 2020 (that is USD 1.7 billion). In terms of y-o-y variation, remittances received in Q2 2020 were 10 percent lower than the inflow in Q2 2019. In terms of external sector, trade balance reached a deficit of USD 36.5 billion (accounting for 10.1 percent of GDP) in the fiscal year 2019/2020[31] and a deficit of USD 8.4 million in Q2 2020 (that is 2.3 percent of GDP). Despite trade deficits, gross official reserves were relatively stable throughout the first 10 months of 2020 at an average level of USD 39.7 billion, covering nearly 7.5 months of merchandize imports. Unemployment rate in 2020 stood at 10.1 percent, almost double the word rate[32].

Price levels came to lessen the hardship of the pandemic. Annual inflation rate stood at 4.5 percent in H2 2020, slightly lower than rates of H1 2020 and H2 2019 (5.6 percent and 5.8 percent, respectively). Figure 14 shows the cost of the food basket followed the evolution of the pandemic, peaking in late spring and decreasing in H2 2020. In line with inflation, the cost of food basket[33] in H2 2020 stood at an average of EGP 209 – lower than averages of H1 2020 and H2 2019 by 2.1 and 2.4 percent, respectively.

Figure 14: Food basket and exchange rate, 2020, Jan-Dec 2020



Source: FXtop,CAPMAS , WFP calculation

Price stability is a plus to the purchasing power of households, especially for the most vulnerable ones. Yet, the latest report released by the World Bank[34] estimates poverty to have increased following COVID-19. On a basis per headcount of 3.20 USD, poverty rate in Egypt is estimated to have increased from 24.1 percent in 2019 to 30.5 percent in 2020, ranking Egypt at the second place in terms of highest global poverty rates, following Iraq. At USD 5.50 per headcount, poverty rate is estimated at 73.8 percent (up from 68.9 percent of projected pre-COVID-19 level) — the highest in the region.

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27 Macroeconomic figures are obtained from CBE latest monthly market bulletin.
28 The growth rate of GDP at market prices (constant prices)
29 Latest available data at the time of conducting the analysis
30 OECD report, April 2020
31 Fiscal year starts in July of a typical year (e.g. 2019) and ends in June of the following year (e.g. 2020)
32 World Bank Indicators
33 The reference food basket includes 1.5 kg of lentils, 0.9 kg of frozen chicken, 1.5 liters of maize oil, 2 kg of pasta, 2.3 kg of rice, 1.4 kg of sugar, 5 kg of wheat flour and 15 eggs.
34 Trading together: Reviving Middle East and North Africa Regional Integration in the Post-Covid Era & Ahram newpaper, October 2020

IRAQ

KEY FIGURES AND TRENDS

- Iraq was hit by an oil crisis through 14 percent drop in oil production in H2 2020 against H1 2020.
- The twin crises of the pandemic and oil sector are to result in additional 2.7 to 5.5 million poor Iraqis in the short term.

CURRENT STATUS

MARKET INDICATORS

+ 0.7% in October 2020
Annual inflation rate

+ 0.2% in October 2020
Annual food inflation rate

+ 15% in December 2020 (Y-o-Y)
Wheat flour

1,241 USD/IQD
Exchange rate

ECONOMIC INDICATORS

- 16.9% in Q3 2020
GDP annual growth rate

4.05 M BBL/D/1k in May 2020
Crude oil production

+ 89% Jan-Nov 2020
Oil revenues in public finance

+ 12.8% 2020 estimate
Unemployment rate

ECONOMIC IMBALANCES

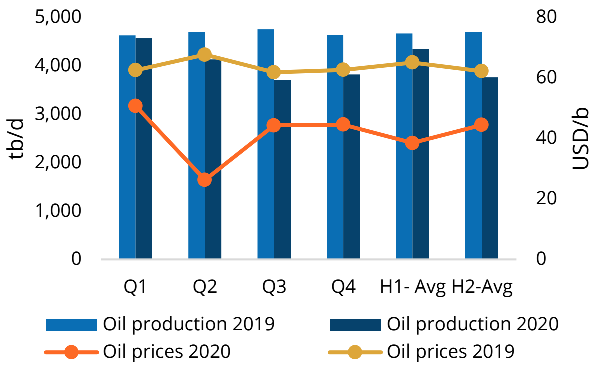
2 IQD trillion Jan-Nov 2020
Government budget deficit

62.2 USD billion in 2019
Balance of trade

68.3% in 2020
Government debt to GDP

Prior to the pandemic, Iraq was hit by an oil crisis followed by a decline in global demand and oil prices towards early 2020, hitting the lowest record in April 2020. Consequently, OPEC signed a historic agreement to cut oil production to nearly 10 million barrels per day[35], which resulted in a decrease in oil production by 14 percent in H2 2020 compared to the H1 2020. Oil prices increased by 15 percent passing from USD 38.5/barrel in H1 2020 up to USD 44.4/barrel in H2 2020; yet, lower than the average of 2019. Being heavily dependent on oil[36], the country saw a sharp fall in its government revenues (almost down 48 percent in the first 11 months of 2020 compared to the corresponding period in 2019[37]); the budget deficit widened in the same reference period in 2020, reaching an alarming record of IQD 2 trillion[38].

Figure 9: Oil production and Basrah light prices (2019 vs. 2020)



Source: OPEC

The economy was further challenged by the pandemic, as GDP contracted by 16. 9 percent in Q3 2020 against Q3 2019. The contraction was not only limited to oil, but also affected the non-oil sector (i.e. services). The services sector, indeed, was hit hard by the novel outbreak and related containment measures as GDP of non-oil sector alone contracted by more than 9 percent in Q3 2020[39] y-o-y.

The pandemic has also threatened job stability as unemployment rate for 2020 was estimated at 12.8percent of the labor force population[40]. A recent report by the world bank[41] predicted the twin crises of the pandemic and oil sector to increase poverty rates from 7 to 14 percentage points in the short term. This means that another 2.7 to 5.5 million Iraqis would become poor, in addition to the existing 6.9 million pre-crisis poor. Annual inflation rate and annual food inflation rate was as low as 0.7 and 0.2 percent respectively in October 2020[42]. According to WFP field monitoring, prices of food basket commodities were relatively stable in the second half of the year against H1 2020, with a maximum increase of 7 percent for vegetable oil. In terms of annual change, food basket commodities witnessed a more significant increase for lentils (13 percent) and rice (12 percent) in H2 2020/H2 2019.

On 19th December, the Central Bank of Iraq adjusted the sale price of dollars to Iraqi banks and currency exchange rate from 1,180 IQD/USD 1,460 IQD/USD – which represents a nearly 19 percent devaluation in Iraqi Dinar. This led to significant m-o-m increase in commodities prices (e.g. up 20 percent for vegetable oil; up 12 percent for wheat flour; up 7 percent for rice and up 5 percent for sugar).

Table 1: Price and variation of food basket commodities, 2020

Commodity	Unit	Avg H2 2020	Variation H2/H1 2020	Variation H2 2020/H1 2019
Lentils	Kg	1,631	5%	13%
Rice	Kg	1,647	1%	12%
Sugar	Kg	985	2%	6%
Vegetable oil	L	1,482	7%	6%
Wheat flour	Kg	851	0%	-4%

Source: WFP Field Monitoring

[35] OPEC and allies agree to cut oil production to nearly 10 million barrels a day, April 2020, DW
[36] Oil revenues represented 89 percent of total revenues in the first 11 months of 2020
[37] Latest available at the time of conducting the analysis
[38] Ministry of finance reports
[39] Central Statistical Organization
[40] World bank
[41] Protecting Vulnerable Iraqis in the Time of a Pandemic, the Case for Urgent Stimulus and Economic Reforms, World Bank, Fall 2020
[42] Central Statistical Organization

JORDAN

KEY FIGURES AND TRENDS

- The pandemic hit hard the economy through a significant drop in tourism revenues and slowed down retail sector activities.
- Tourism receipts declined annually by an alarming 72 percent in the first 9 months of 2020.

CURRENT STATUS

MARKET INDICATORS

- 0.4% in December 2020
Annual inflation rate

+ 0.5% in December 2020
Annual food inflation rate

- 0.3% in December 2020
Monthly inflation rate

0.71 USD/JOD
Exchange rate

ECONOMIC INDICATORS

- 2.2% in Q3 2020
GDP annual growth rate

80.5% of GDP, forecast for 2020
External debt

+ 14.6% 2020 estimate
Unemployment rate

ECONOMIC IMBALANCES

68% of GDP in Jan-Jul 2020
Government budget deficit

2.4 USD B, in Jan-Sep 2020
Current account

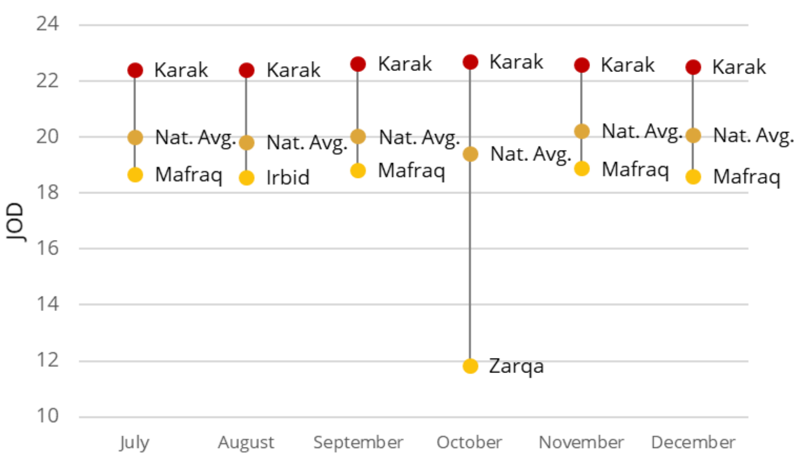
108.4% of GDP estimate for 2020
Government debt to GDP

The pandemic hit hard the economy through a significant drop in tourism revenues and a slowdown in retail sector activities.
Tourism plays a significant role in the economy representing more than 41 percent of total exports[43]. Receipts from this sector declined to USD 1.2 billion, accounting for an alarming fall by 72 percent in the first 9 months of 2020 against the corresponding period of 2019)[44]. Accordingly, the third quarter of 2020 experienced economic slowdown at a GDP rate of -2.2 percent, mainly linked to hotel and restaurants sector (down by 9.1 percent), followed by trade, transport, and communications sector (-6.3 percent)[45].

Economic pressures entailed also deterioration in government imbalances. Budget deficit increased by 68 percent in the first 7 months of 2020 against the same period in 2019. This is mainly related to drop in total revenues (down 14 percent)[46]. Public debt was foreseen at 108.4 percent of GDP in 2020 and to keep increasing in 2021 (at 112.4 percent)[47]. In Q3 2020, current account balance recorded a deficit of USD 743 million against a surplus of USD 88 million in Q3 2019. Throughout the first three quarters of 2020, current account deficit reached -2.4 billion USD, accounting for an 88 percent increase that was mainly due to a deterioration in services sector (i.e. tourism).

Purchasing power of households, especially the vulnerable, is stretched following a decline in remittance inflows and high unemployment. In the first three quarters of 2020, remittances decreased by 10 percent y-o-y passing from to USD 2.5 billion in 2019 to USD 2.2 billion in 2020. Unemployment rate makes nearly one fourth of the labour force population (23.9 percent in Q3 2020)[48], and recorded an annual average of 14.6 percent[49].

Figure 10: Cost of the food basket, H2 2020



Source: Department of Statistics (DoS)

Prices remained stable thanks to fixed exchange rate and limited disruptions in food supplies. In December 2020, annual inflation rate decreased by 0.4 percent.
In terms of food prices, the cost of food basket was stable in H2 2020 against H1 2020 (down by -2 percent). At the governorate level, Karak kept recording the most expensive food basket value through the whole H2 2020. The cost was higher than the national average by 13 percent[50]. Declined agricultural production and livestock supply amid the pandemic are the main reasons explaining the higher cost[51]. On the contrary, Mafraq recorded the least expensive food basket in most months of H2 2020, lower than the national average by 6 percent.

[43] World development indicators, World Bank
[44] Central Bank of Jordan
[45] Q3 2020 against Q3 2019. Source: Jordan Department of Statistics
[46] Source: Jordan Department of Statistics
[47] RBC analysis and FocusEconomics
[48] Source: Jordan Department of Statistics
[49] World Bank based on International Labour Organization, (modelled estimate). Data retrieved in September 20, 2020
[50] WFP field monitoring
[51] Al Ghad, April 2020

LIBYA

KEY FIGURES AND TRENDS

- Intensified conflict, suspension of oil fields, decreasing oil prices, and eventually the pandemic, all combined have hit hard the economy.
- The contraction in oil sector resulted in a forecasted contraction of the economy by 41 percent in 2020.

CURRENT STATUS

MARKET INDICATORS

+ 3% in December 2020 (Y-o-Y)
WFP food basket

6 USD/LYD
Informal exchange rate

ECONOMIC INDICATORS

-41% estimate for 2020
GDP annual growth rate

0.4 BBL/D/1M in 2020
Crude oil production

+ 24% Jan-Dec 2020
Oil revenues in public finance

ECONOMIC IMBALANCES

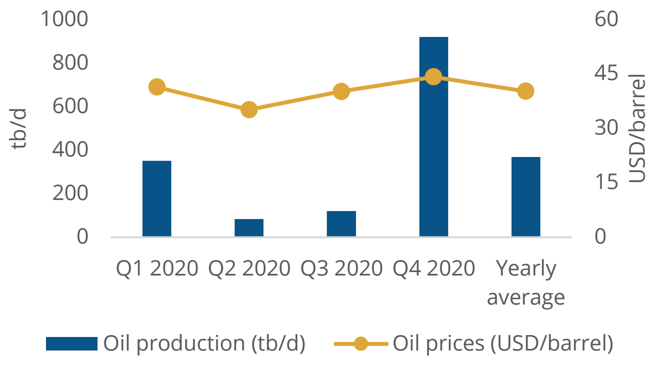
- 59% of GDP estimate for 2020
Government budget deficit

-53% of GDP, estimate for 2020
Current account

155% of GDP estimate for 2020
Domestic public debt

Intensified conflict, suspension of oil fields, decreased oil prices and eventually the pandemic have all hit hard the country.
Being heavily dependent on oil revenues, the economy suffered the most from oil blockades and the decrease in global oil prices and demand. The oil blockade resulted into a significant drop in oil production, which fell by 66 percent in 2020 against 2019 (passing from 1.1 million barrels/day to 0.4 million barrels/day). Similarly, oil prices went down by 37 percent from an average of USD 64 to USD 40 per barrel[52]. As shown in the above figure, Q2 was the worst in terms of production and prices; however, Q4 recorded significant improvements thanks to the political agreement to end the blockade on oil terminals and the ceasefire.

Figure 11: Oil production and prices, 2020

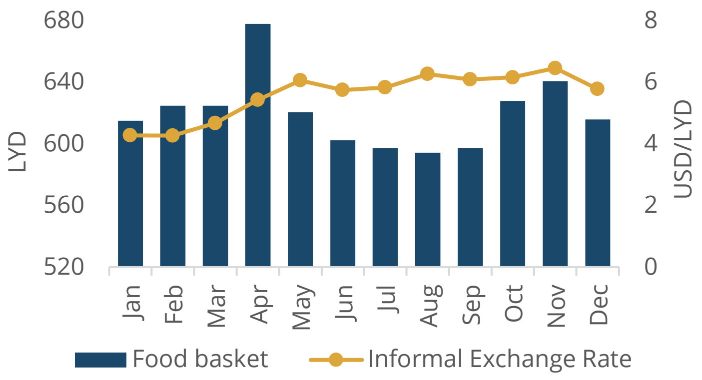


Source: OPEC

According to the World Bank's latest estimates, the contraction in oil sector decelerated economic growth by 41 percent in 2020 following a significant drop in government revenues. In addition, fiscal deficit is seen to have widened (representing 59 percent of GDP in 2020[53]), while government debt is foreseen to be as high as 155 percent of GDP.
The repercussions of the intensified conflict were not limited to the oil sector, as disagreements within the Central Bank board lead to different exchange rates in the country and a monetary crisis imposing strict limitations on withdrawals. Fortunately, towards the end of 2020, the Central Bank board decided for a devaluation and standardization of the exchange rate across the country for 4.48 LYD/ USD to be effective since 3rd January 2021[54]. This decision is expected to have positive spill overs (e.g. closing the gap between official and parallel rates and controlling currency arbitrage) as well as negative consequences (e.g. higher import costs).

The cost of the food basket was relatively stable throughout 2020, except for April, recording the highest m-o-m increase (up 8 percent) due to the fallouts of COVID-19 and the increase in food prices during Ramadan. The food basket was less expensive in H2 2020 than in H1 2020 (2 percent lower).

Figure 12: Cost of the food basket and exchange rate, 2020



Source: SNAP, FXtop

Households' purchasing power is further threatened by high unemployment rate, accounting for nearly one fifth of the labour force population (18.6 percent in 2020[55]). The socio-economic crisis in Libya is more linked to political instability than the pandemic. If the ceasefire agreement holds, the economy is anticipated to grow by 76 percent in 2021[56] despite the fallouts of COVID-19.

[52] OPEC monthly reports
[53] World bank: Libya's economic update, October 2020, link
[54] Reuters: Libya's divided central bank agrees exchange rate after first meeting in years, December 2020, 0
[55] World Bank
[56] IMF WEO, October 2020. The significant growth would be related to the low base of 2020.

PALESTINE

KEY FIGURES AND TRENDS

- The economy contracted by 11 percent in Q3 2020 against Q3 2019 and was further strained by a decrease in donor's inflow to general government by 33 percent in Q3 2020.

CURRENT STATUS

MARKET INDICATORS

- 0.2% in December 2020 (y-o-y)
Annual inflation rate

-2.1% in December 2020 (y-o-y)
Annual food inflation rate

0.3% in December 2020
Monthly inflation rate

ECONOMIC INDICATORS

- 11% Q3/Q1 2020
GDP growth rate

+ 28.6% Q3 20/Q3 19
Unemployment rate

ECONOMIC IMBALANCES

11% of GDP estimate for 2020
Government budget deficit

-978 USD million in Q3 2020
Balance of trade

20.4% estimate for 2020
Government debt to GDP

The socio-economic impact of the pandemic was severe in Palestine. The economy contracted by 11 percent in Q3 2020 against Q3 2019 and was further strained by a decrease in income transfer inflows from donors to the government by 33 percent in Q3 2020[57]. This has significantly affected the country, which is highly dependent on grants and aids (approximately 12 percent of total revenues in 2019 – latest available). According to latest IMF forecasts, government budget was foreseen to record a deficit of 11 percent in 2020[58].

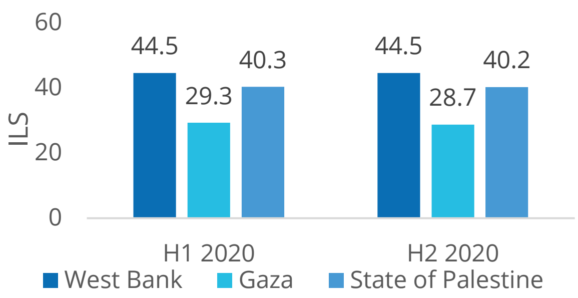
Despite the difficulties, trade deficit shrank by 19 percent in Q3 2020 against Q3 2019 (passing from USD -1.2 billion to USD -1 billion). Accordingly, current account deficit narrowed by 43 percent, recording a deficit of USD 0.2 billion in Q3 2020. Lockdown and containment measures implemented to curb the contagion led to significant drops in employees' compensations (down 22 percent in Q3 2020/Q3 2019). This was mainly linked to disruption in commuting of Palestinian workers to Israel – whose revenue accounts for a major source of income for the Palestinian economy[59].
Unemployment rate reached 28.5 percent in Q3 2020 (up from 24.6 percent in Q3 2019), with significant discrepancies between the West Bank (18.7 percent) and Gaza strip (48.6 percent).

According to a recent survey conducted by the Palestinian Central Bureau of Statistics to assess the socio-economic impact of COVID-19, 42 percent of Palestinian households lost no less than half of their income during the lockdown period (March-May), compared to February 2020[60]. Consequently, 41 percent of households reported their monthly expenditures on food to have declined during the lockdown. When asked about the most desirable measures to tackle the fallouts of COVID-19, cash transfers and job creation accounted for the top two policies indicated by households (29 and 21 percent, respectively), West Bank prefer food assistance as a second priority.

A study on *Social Impacts of the COVID-19 Pandemic in Palestine* confirmed worsening food insecurity, with more than one third of farmers, sheepherders, fishermen and small traders facing a shortage/poor food consumption rates, and more borrowing than before to buy food. A quarter of them also reduced the number of family meals taken, as a result of the pandemic, and purchased "cheap" or "cheaper" meals than they normally buy.

Prices came to lessen hardships on households, as annual inflation rate remain stable, at a yearly average of -0.73 percent. The cost of the food basket[61] was also stable in H2 2020 against H2 2019 and H1 2020. Highest annual increases (H2 2020/H2 2019) were observed for certain commodities such as onions (up 18 percent), cauliflower (up 11 percent), and eggs (up 9 percent). Differences between regions persist, when it comes to price levels. West Bank records the most expensive food basket, which, in turn, increases the average cost of the food basket for State of Palestine. In H2 2020, the cost of food basket in West Bank was 55 percent higher than Gaza levels (44.5 ILS vs. 28.7 ILS). Higher prices in West Bank could be linked to a more advanced infrastructure and living patterns in this region, compared to Gaza.

Figure 13: Cost of the food basket, 2020



Source: Palestinian Central Bureau of Statistics

[57] Income transfer inflows from donors captured 67 percent of total inflows to the government in Q3 2020.
[58] IMF WEO database, link
[59] Macroeconomic data is retrieved from Palestinian Central Bureau of statistics.
[60] The survey covered the period between March-May, however the analysis was released in October 2020
[61] The reference food basket includes bread (9kg), lentils (0.3 kg), salt (0.15 kg), chickpeas (0.45 kg), and maize oil (0.45 l)

TUNISIA

KEY FIGURES AND TRENDS

- Tunisian economy contracted by 6 percent in Q3 2020 (y-o-y) after having recorded a -21.7 slump in Q2 2020. The sectors mainly affected are hotel and restaurant services, transport and textile and clothing.
- In Q3 2020, unemployment rate reached 16.2 percent, mainly driven by female unemployment (22.8 percent vs. 13.5 percent of male unemployment rate).

CURRENT STATUS

MARKET INDICATORS

+ 4.9% in December 2020
Annual inflation rate

+ 4.3% in December 2020
Annual food inflation rate

+ 0.3% in December 2020
Monthly inflation rate

2.8 USD/TND
Exchange rate

ECONOMIC INDICATORS

- 6% in Q3 2020
GDP annual growth rate

22 BBL/D/1k in September 2020
Crude oil production

Imports: **3.7** TND billion in Dec 2020

Exports: **3.7** TND billion in Dec 2020

+ 16.2% 2020 estimate
Unemployment rate

ECONOMIC IMBALANCES

- 8.1% of GDP, forecast for 2020
Fiscal balance

-1 TND billion in December 2020
Balance of trade

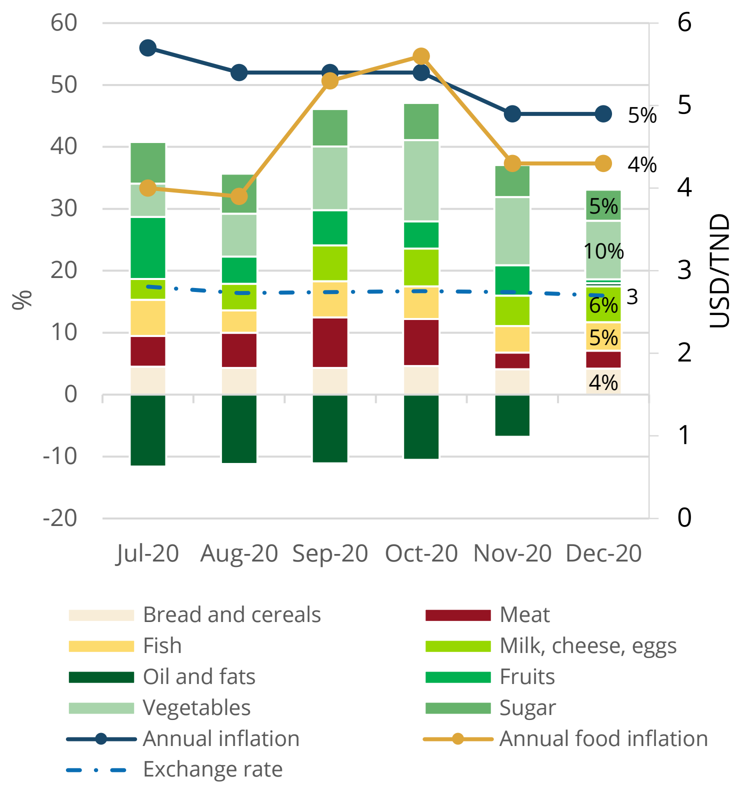
86.6% of GDP, forecast for 2020
Government debt to GDP

Due to the fallout of the pandemic, Tunisian economy contracted by 6 percent in Q3 2020 (y-o-y) after having recorded a -21.7 slump in Q2 2020. The sectors mainly affected are hotel and restaurant services (-42.7 percent), transport (-29.6 percent) and textile and clothing (-19.2 percent)[62]. Oil production also recorded a significant decline, mainly in September at 22 BBL/D/1K – the lowest in 2020, representing a y-o-y decrease by 31.2 percent).
In Q3 2020, unemployment rate reached 16.2 percent[63], mainly driven by female unemployment (as high as 22.8 percent compared to 13.5 percent of male unemployment rate).
The flow of remittances in 2020 was stable (up 8 percent compared to 2019, corresponding to USD 1.6 B).
Since imports have fallen at a slower pace than exports, estimates for the current account are expected to fall compared to 2019 level (8.8 percent of GDP), but remain high (7.1 percent of GDP). In contrast, the fiscal deficit increased due to an 11 percent decline in revenues in mid-2020, reflecting the reduction in economic activity and tax deferral measures[64].

In terms of prices, annual inflation was stable during H2 2020, showing a slight declining trend between July and December (from 5.7 to 4.9 percent). Annual food inflation recorded an upward trend in Q3 2020, passing from 3.9 percent in August to 5.6 percent in October, following the second round of infections hitting the country from September onwards and the related measures to contain the contagion. A similar trend was observed between March and April – corresponding to the outbreak of the pandemic in Tunisia, the consequent implementation of curfews and lockdowns and related changes in consumers' behaviour such as panic buying – when food inflation increased from 3.6 in February, reached 6.3 in March and peaked at 6.4 in April.
No exchange rate fluctuations were observed in H2 2020., as the exchange rate was stable at an average of USD/TND 2.7.

According to the World Bank, the pandemic is resulting into an increase in extreme poverty: by using the poverty line of USD 5.5 PPP, the 16.6 percent Tunisians will fall under extreme poverty. In addition, the proportion of the population "vulnerable" to fall into poverty is expected to increase in 2020, by reaching 22 percent of the total population.

Figure 14: Inflation, exchange rate and variation in prices of main commodities, Jul-Dec 2020



Source: Institute National de la Statistique (INS)

[62] Institute Nationale des Statistiques – Quarterly National Accounts
[63] Institute Nationale des Statistiques – Unemployment rate evolution by sex (%)
[64] World Bank: Macro Poverty Outlook - MENA, October 2020

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